



European Platform Undeclared Work

Simplified employment in the agricultural sector

Hungary

	<p>Summary</p> <p>The 2010 Simplified Employment Act introduced a simple electronic registration which records the exact date and time of the start of the employment relationship, making it easier to carry out temporary (casual and seasonal) employment on a declared basis and conduct inspections.</p>
<p>Title of the practice in original language</p>	<p><i>2010. évi LXXV. törvény az egyszerűsített foglalkoztatásról</i></p>
<p>Name(s) of authorities/bodies/organisations involved</p>	<ul style="list-style-type: none"> • National Tax and Customs Administration (<i>Nemzeti Adó- és Vámhivatal, NAV</i>); • Labour Inspection Authorities (Ministry of Finance, and the territorial District Offices/Government Offices of Hungary).
<p>Sectors</p>	<p>All</p>
<p>Target groups</p>	<ul style="list-style-type: none"> • Employers (directly targeted); • Employees (indirectly targeted).
<p>Purpose of measure</p>	<p>Legitimising undeclared work</p>

	<p>Aims and objectives</p> <p>By facilitating employment notifications, reports and payments through the use of an electronic notification tool, the Simplified Employment Act aims to increase legal casual employment in any sector as well as seasonal employment in agriculture and tourism, while making it easier to conduct labour inspections.</p>
<p>Background context</p>	<p>Hungary is an agricultural country with a high number of seasonal workers and an agricultural sector affected by undeclared work.¹ Governments tried to introduce measures to address the problem, e.g. increasing pressure and control on employees and companies, and using incentives to report undeclared work. In an effort to reduce undeclared work and replace the Casual Employee Booklet system which was prone to abuse and administratively heavy, the Simplified Employment Act (2010/LXXV) introduced a form of intermittent casual or seasonal work</p>



	<p>known as 'simplified employment'. It encompasses two types of temporary work - casual work (in all sectors) and seasonal work in agriculture and tourism.ⁱⁱ It requires the employer to register a mutually-agreed simplified work relationship electronically via the so called 'client gate system' (https://ugyfelkapu.magyarorszag.hu/) or via a smart phone application. This eases the administrative burden on both the employee and the employer for registering, reporting and paying taxes.ⁱⁱⁱ It makes it easier for employers to declare work even when only a few days are involved, and for labour inspections to be carried out.</p>
Key objectives of the measure	<ul style="list-style-type: none">• To increase legal employment and reduce the occurrence of undeclared work;• To enhance the flexibility of employment and thus increase competitiveness;• To increase the effectiveness and efficiency of the system through which employers notify authorities of the start of an employment relationship;• To simplify the notification of work contracts even when contracts are very short.
Main activities	<p>Activities include:</p> <ul style="list-style-type: none">• A mobile application tool was introduced in 2017^{iv}. Employers can now register the start of the simplified work relationship via the app or via the client gate system;• A written contract is not required, unless an employer or the employee wishes to have one. The contract form provided as an appendix to the law can be used as a template;• While a worker can simultaneously have a simplified employment relationship with more than one employer, an employer cannot employ the same worker for seasonal employment using simplified employment for more than 120 days in a given year;^v• Working time can vary across days e.g. four hours in one day, three in another. The employer can schedule Sundays and public holidays. Sunday work does not necessitate the payment of the statutory Sunday wage supplement, but the public holiday wage supplement must be paid. The simplified work rules thus permit flexibility in terms of seasonal and agricultural work while still protecting employees and preventing undeclared work;• Employers cannot use the system if they have unpaid/overdue taxes of over EUR 913;• Registered jobseekers do not need to notify public employment services about the simplified employment relationship, thus retaining their jobseeker status, without interruption, for the duration of the relationship.



Funding/organisational resources	National funding. Other organisations involved include the Ministry of Finance (<i>Pénzügyminisztérium</i>) which has a legislative role. The State Secretary for Employment Policy (<i>Foglalkoztatáspolitikáért Felelős Államtitkárság</i>) has a role in providing information and consultation.
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	Outcomes Simplified employment relationships have grown in high numbers since the introduction of the Act and declared work has significantly increased.
Achievement of objectives	In 2017 the National Tax and Customs Administration (NAV) received notifications of 12.1 million simplified employment relationships. Since the introduction of the Act in 2010, declared traditional employment in the Hungarian labour market rose by roughly 800 000 to 4.481 million by mid-2018, while the unemployment rate reduced to a record low of 3.7 % (January 2019). With the new Labour Code (that came into effect on 1 July 2012), the Simplified Employment Act undoubtedly played a major role in the flexibility of labour law and the increased employment rate.
Lessons learnt and success factors	<ul style="list-style-type: none">• Simplifying the administration process improves employers' compliance with legal obligations;• Consideration needs to be given to restricted pension claims for workers employed through the Simplified Employment Act and restricted health care insurance cover^{vi};• For the measure to be successful, employers must be willing to register.
Transferability	In general, electronic registration can be used in other sectors and other countries, but employee privacy issues need to be examined, given the centralised nature of data involved. It is important to implement changes that are beneficial for employers and workers, as well as making inspections easier to carry out.

Further information	
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Useful sources and resources	<ul style="list-style-type: none">• National Tax and Customs Administration (Nemzeti Adó- és Vámhivatal, NAV): http://www.nav.gov.hu/;• Hungarian Labour Inspection Authorities http://www.ommf.gov.hu;• Employment in Hungary in general: www.munka.hu.
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ⁱ The following information is paraphrased and/or excerpted from the following publications:

- Eurofound (2018), Simplified Employment, European Monitoring Centre on Change, available at: <https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/simplified-employment>
- Eurofound (2013), Simplified Employment Act, Hungary, in the EurWORK Observatory, available at: <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/simplified-employment-act-hungary>

ⁱⁱ Eurofound (2018), op cit.

ⁱⁱⁱ There is no need for an actual written employment contract, unless the worker asks for one. In addition, parties to the employment contract can opt for a standard employment relationship (versus a simplified employment relationship) even though the work might only be for a few days (SE Art. 1 (5) Also, registration of simplified work via SMS or text message is no longer available to employers.

^{iv} For seasonal work the employer must pay taxes of EUR 1.75 daily; for casual work the figure is EUR 3.5 on a daily basis. Source: Eurofound (2013), op cit.

^v In casual work the number of working days in an employment relationship between the same employer and worker can be a maximum of 15 in a month and 90 in a year and cannot exceed 5 consecutive days at once.

^{vi} Eurofound (2013), op cit. Employees who are employed in accordance with simplified employment do have health insurance, but it is restricted. They are insured only for accidents [in accordance with Section 10. § (1) b) of the Act].